

Message Text

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ACTION EUR-25

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C O N F I D E N T I A L ATHENS 3131

E.O. 11652: GDS

TAGS: ENRG, GR

SUBJECT: ESSO-PAPPAS REFINERY MAY CLOSE DOWN

MILITARY COMMANDS FOR POLADS

REF: ATHENS 2109 AND 2743

1. ESSO-PAPPAS MANAGER BRUCE COOK REPORTS THAT ALTHOUGH LEGAL COUNSEL OF STATE FOUND THAT CONDITIONS WARRANTED RENEGOTIATION OF CRUDE PRICE FORMULA UNDER ESSO-PAPAS AGREEMENT, CABINET DECIDED THIS WEEK TO REFER MATTER TO MINISTER OF SOCIAL SERVICES HARALAMBOS GEORGIPOULOS FOR FURTHER STUDY AFTER GEORGIPOULOS INSISTED THAT GOG SHOULD FIGHT TO FORCE ESSO TO ACCEPT PAYMENT FOR CRUDE ON BASIS OF PRE-CRISIS POSTED PRICE OF \$3.01 PER BARREL.

2. IN THESE CIRCUMSTANCES, ESSO-PAPPAS AND EXXON ARE NOW CONSIDERING TAKING ONE OF THREE POSSIBLE COURSES OF ACTION:

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A) INSTITUTING ARBITRATION PROCEDURES, ALTHOUGH ARBITRATION WOULD TAKE PLACE IN GREECE AND THREE-MAN ARBITRAL COMMITTEE WOULD CONSIST OF ESSO MEMBER, GOG MEMBER AND LEGAL COUNSEL OF STATE;

B) SHUTTING DOWN REFINERY AND PETROCHEMICAL PLANTS;

C) DENOUNCING AGREEMENT AND SUING GOG FOR NON-PAYMENT OF \$40 MILLION IN FOREIGN EXCHANGE FOR CRUDE DELIVERED DURING FIRST QUARTER OF 1974.

3. IN MEANTIME, ESSO-PAPPAS REFINERY, WHICH AT REQUEST OF GOG HAS BEEN PROCESSING CRUDE OIL FOR ACCOUNT OF LATSIS PRIMARILY FOR FUEL OIL AND MOTOR GAS, WILL RUN OUT OF STOCKS OF SPECIAL MOTOR GAS AND SPECIAL DIESEL FUEL FOR GREEK MILITARY ON MAY 24 AND JET FUEL DELIVERIES TO GREEK MILITARY WILL RUN OUT ON MAY 31. LATSIS CRUDE DELIVERY ENDS JUNE 1. ESSO REPORTS THAT GREEK PETROLEUM SERVICES HAVE BEEN AWARE OF THESE RUNOUT DATES FOR SOME TIME.

4. UNDER SECRETARY OF INDUSTRY EFTHYMIADES, WHO ATTENDED CABINET MEETINGS REGARDING ESSO CRUDE CONTRACT, SEPARATELY AND INDEPENDENTLY HAS CONFIRMED TO EMBASSY OFFICER CABINET PROCEEDINGS AS RELATED BY ESSO-PAPPAS. EFTHYMIADES ADDED THAT BOTH HE AND MINISTER OF INDUSTRY KYPREOS FAVORED NEGOTIATING A NEW CRUDE PRICE WITH ESSO, BUT THAT PRIME MINISTER ACCEPTED GEORGIPOULOS' INSISTANCE ON STUDYING CONTRACT IN ORDER TO FORCE ESSO TO ACCEPT \$3.01 PER BARREL FORMULA.

5. IF ESSO-PAPPAS REFINERY SHUTS DOWN, U.S. MILITARY FORCES AND OTHER U.S. AGENCIES IN GREECE WILL FACE SOME PROBLEMS IN ARRANGING ALTERNATE SOURCES OF SUPPLY. TASCA

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